Rural Hospital Services Strategic Plan

As Required by

Senate Bill 1621,

86th Legislature,

Regular Session, 2019

TEXAS
Health and Human Services

Health and Human Services

January 2020

Table of Contents

1. Executive Summary

The Rural Hospital Services Strategic Plan is submitted in accordance with Senate Bill (S.B.) 1621, 86th Legislature, Regular Session, 2019. The best available census data indicates that approximately 15.3 percent of Texans reside in a rural area.[1] For persons living in a rural area, access to hospital services, particularly in an emergency, can be the difference between life and death. With rural hospital closures occurring nationally and in Texas, affected communities are now finding themselves without access to hospital services unless they travel long distances.

S.B. 1621 requires the Texas Health and Human Services Commission (HHSC) to develop and implement a strategic plan to ensure that Texans residing in rural areas have access to hospital services. This plan is the first version and outlines key strategies but does not detail the operational plans to achieve those strategies as public input will be necessary to define those milestones and activities. Future reports, due by November 1 of each even-numbered year, will be more detailed regarding the activities undertaken in support of the strategies identified herein. The plan identifies three key strategies to further the goal of ensuring access to hospital services. The strategies are:

(1) Ensure Medicaid reimbursements are adequate and appropriate;

(2) Increase access to established revenue opportunities that reimburse hospitals for uncompensated care; and

(3) Identify challenges that hospitals experience in providing services to persons who are not enrolled in Medicaid.

The Texas Legislature has provided meaningful financial support for rural hospitals through targeted increased appropriations with additional funds appropriated to support inpatient services and to create an add-on for labor and delivery services. Through S.B. 1621 and S.B. 170, 86th Legislature, Regular Session, 2019, HHSC received direction to implement improved reimbursement methods and to establish a directed payment program to ensure Medicaid reimbursements are adequate and appropriate.

---

[1] Texas Demographic Center, Urban Texas, August 2017, https://demographics.texas.gov/Resources/publications/2017/2017_08_21_UrbanTexas.pdf

While HHSC has significant expertise in administering Medicaid, the challenges facing rural hospitals are not exclusively related to Medicaid reimbursement. Therefore, for any plan to be considered successful, it must consider the impact of all payors.

For all three strategies, the plan outlines specific operational goals that will be used to maintain access at rural hospitals. The operational plans each have target implementation dates associated with them. Finally, the plan describes the reporting efforts that HHSC will undertake to biennially report on the progress towards implementation of the strategic plan.

1. Introduction and Background

S.B. 1621 requires HHSC to create a strategic plan to ensure that Texans residing in rural areas have access to hospital services. There are many definitions of what constitutes an area as rural and even more definitions for what constitutes a rural hospital. Many definitions rely on population-based information within defined geographic boundaries that may or may not align with a political jurisdiction.[2]

S.B. 1, 86th Legislature, Regular Session, 2019 (Article II, Health and Human Services Commission, Section 180. Hospital Payments) defines rural hospitals to (1) hospitals located in a county with 60,000 or fewer persons according to the 2010 U.S. Census; or (2) a hospital designated by Medicare as a Critical Access Hospital (CAH), a Sole Community Hospital (SCH), or a Rural Referral Center (RRC) that is not located in a Metropolitan Statistical Area (MSA); or (3) a hospital that has 100 or fewer beds, is designated by Medicare as a CAH, a SCH, or a RRC, and is located in an MSA. For purposes of this plan, HHSC will use the S.B. 1 definition of a rural hospital as the prevailing definition as it is the definition used for most Medicaid reimbursement policies.

According to State Fiscal Year 2017 Medicaid data, rural hospitals were paid approximately 83 percent of cost for inpatient services and 53 percent for general outpatient services. The 86th Legislature appropriated additional funds, allowing HHSC to increase inpatient reimbursement to approximately 95 percent of cost. HHSC also launched reporting to monitor timeliness of payments to rural hospitals and identify improvements in encounter data. [3]

---

[2] ERS, Texas Census Summary, December 2019, https://www.ers.usda.gov/webdocs/DataFiles/53180/25598_TX.pdf?v=0

[3] Health and Human Services Commission, Evaluation of Rural Hospital Funding Initiatives, August 2019, https://hhs.texas.gov/reports/2019/08/evaluation-rural-hospital-funding-initiatives

The Texas Organization of Rural & Community Hospitals (TORCH) reports the following:

- Texas leads the nation in rural hospital closures.
- 26 Texas rural hospital closures (permanently or temporarily) have occurred in 22 communities since the beginning of 2010. Nationally, more than 70 rural hospitals have closed in the same time frame.
- Texas had approximately 300 rural hospitals in the 1960s and is down to 158 rural hospitals currently.
- Closures have a ripple effect in the community reducing sales tax revenue to local government, reducing school student numbers driving down state payments to the local school, and hurting local businesses across the community. [4]

As of August 23, 2019, 20 rural hospitals in Texas have stopped providing inpatient care, according to Becker's Hospital CFO Report. [5] (See Chart 1.)

HHSC data shows 15 closures since 2014 in 14 counties. Additionally, at least three rural hospitals are providing emergency only services. (See below)

[4] Texas Organization of Rural & Community Hospitals, Rural Hospital Closures, October 29, 2019, https://www.torchnet.org/advocacy--rural-hospital-closure.html

[5] Becker's Hospital CFO Report, State-by-state breakdown of 113 rural hospital closures, August 26, 2019, https://www.beckershospitalreview.com/finance/state-by-state-breakdown-of-113-rural-hospital-closures-082619.html

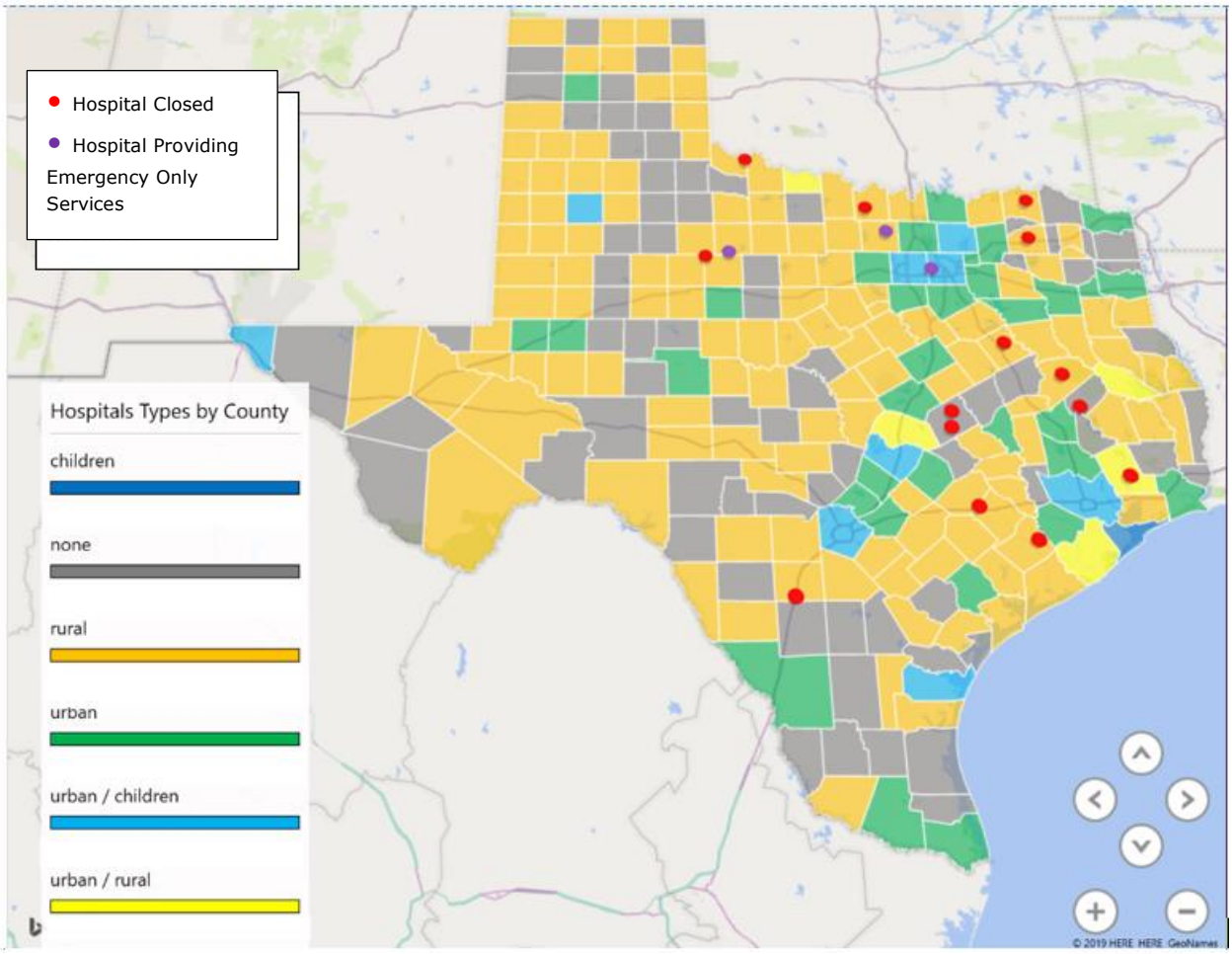

Figure 1: Hospital type by County

With each hospital closure or reduction of services, Texans face increased challenges and barriers to accessing hospital services. This plan seeks solutions that will support Texans and rural communities to prevent the closure of additional hospitals and in accessing services in communities where closures have already occurred.

S.B. 1621 directs HHSC to create a timeline for implementation. Beginning November 1, 2020, a biennial status report is required to monitor progress toward implementation of the strategies identified in this plan. HHSC will submit the report to the legislature, Office of the Governor, and Legislative Budget Board.

2. Goal

The goal of the strategic plan is to ensure Texans residing in rural areas have access to hospital services.

HHSC anticipates that the primary way that Texans in rural communities would prefer to receive hospital services is from a hospital in or near the community in which they reside. However, where it is not possible to sustain all procedure types at the local or rural hospital, the plan should include techniques to support Texans who must receive services from hospitals in neighboring or other communities.

3. Strategies

Strategy #1: Ensure Medicaid reimbursements are adequate and appropriate.

Medicaid is a major payor for many rural hospitals and inadequate or inappropriate reimbursements can have significant impacts on the ability of rural hospitals to provide services. There are five major types of hospital rates in the Medicaid program: inpatient, general outpatient, non-emergency emergency department, clinical labs, and imaging. In addition, there are supplemental and directed payment programs that increase payments to providers outside of the established reimbursement rates. Following the carve-in of hospital services into managed care, rural hospitals have reported challenges in negotiating for reimbursement rates that are comparable to those received in fee-for-service Medicaid. HHSC, with the support of the legislature, has taken or will take the following operational activities to ensure Medicaid reimbursements are adequate and appropriate.

Operational Goal	Anticipated Impact	Implementation Deadline
Increase rural hospital inpatient rates	Increased reimbursements to rural hospitals to more adequately reimburse their costs of delivering services to Medicaid clients	September 1, 2019[6]
Realign hospital rates to reflect current costs	More appropriately reimburse hospitals according to their hospital specific costs	September 1, 2020 (publish recalculated rates for public comment); implement new rates September 1, 2021
Implement a minimum fee schedule for Medicaid managed care organizations	Ensure that MCOs reimburse rural hospitals in the same manner and at the same rate that they would be paid in FFS	September 1, 2020 (pending CMS approval)

[6] The implementation deadline is contemporaneous with the effective date of House Bill 1, 86th Legislature, Regular Session, 2019 (Article II, Health and Human Services Commission, Rider 11 (Hospital Payments) and Rider 28 (Rural Labor and Delivery Medicaid Add-on Payment) which appropriated additional funds for rural hospital services.

Strategy #2: Increase access to established revenue opportunities that reimburse hospitals for uncompensated care.

As described in Strategy 1, reimbursement rates are a critical part of the Medicaid reimbursement approach. Texas has a Medicaid program that is heavily supported by supplemental and directed payment programs that are funded through a combination of local and federal funds. The three largest hospital reimbursement programs are the Disproportionate Share Hospital program (DSH), the Uncompensated Care program (UC), and the Uniform Hospital Rate Increase Program (UHRIP). The applications for participation in these programs are highly technical and the policies that govern administration of the programs is complex. Rural hospital participation may be inhibited by a lack of clarity of how the programs work and how to become eligible to participate, and a lack of resources to employ private experts to help guide them.

In addition to the Medicaid reimbursement programs, there may be opportunities for federal grants rural hospitals could access to help maintain services. HHSC anticipates that navigating the various state and federal application processes may be complicated and there is potential to better promote access to these key funding streams. Through a combination of outreach and education opportunities, HHSC will increase access to established revenue opportunities that reimburse hospitals for uncompensated care.

Operational Goal	Anticipated Impact	Implementation Deadline
Targeted outreach to rural hospitals during enrollment periods for DSH/UC/ UHRIP	Increased participation of rural hospitals in DSH/UC/UHRIP	September 1, 2020
Establish education and training program for rural hospital administrators on Medicaid policies and reimbursement programs, in collaboration with the Office of Rural Affairs	Increased awareness of Medicaid program requirements to increase revenue maximization	March 1, 2021
Work with cross-agency staff to identify federal grant opportunities for rural hospitals and healthcare providers	Increased communication from Texas state agencies regarding established funding opportunities	September 1, 2021

Strategy #3: Identify challenges that hospitals experience in providing services to persons who are not enrolled in Medicaid.

While Medicaid is a major payor, it is not the only or primary payor at many rural hospitals. Medicare and the uninsured comprise a significant portion of rural hospital services. It is also important to recognize that each rural community is not the same and all rural hospitals face different challenges. To ensure that solutions consider the nuance of each community, HHSC recommends using the advisory committee required by S.B. 1621 to facilitate public input and oversight of the plan.

Additionally, it is important that HHSC clearly identifies Texas' needs for federal flexibility, when appropriate and possible, to support Texas rural hospitals. Texas has a significant number of rural hospitals and persons living in rural communities and we must ensure that federal rules and regulations to not inhibit rural hospitals' success. Lastly, HHSC must strike the appropriate balance between safety and regulatory standards and the cost of compliance. HHSC's mission is foremost to ensure the health and safety of the clients who will be served by our regulated entities, but it is always important to alleviate unnecessary cost if possible. The approaches described below will be used to identify challenges that hospitals experience in providing services to persons who are not enrolled in Medicaid.

Operational Goal	Anticipated Impact	Implementation Deadline
Establish a Rural Hospital Advisory Committee	Increase public input in identifying opportunities and barriers for rural hospitals; provide oversight of strategic plan implementation	March 1, 2020
Analyze federal rules and regulations to identify barriers to rural hospital services	Provide information to determine if any federal flexibility can be sought to support Texas hospitals	September 1, 2021
Analyze state regulatory requirements to determine if cost reductions can be achieved	TBD	September 1, 2021

4. Conclusion

S.B. 1621 requires HHSC to report by November 1 in each even-numbered year on the progress towards implementation of the strategic plan. HHSC anticipates that future reports will include information about the implementation of the strategies identified in the January 2020 Strategic Plan and new strategies as additional barriers and new solutions to maintaining hospital services in rural communities are identified.

HHSC plans for the advisory committee established as part of the strategic plan to gather feedback from the public to inform future reports and plans. HHSC will build upon current efforts for increasing reimbursement to rural hospitals while also monitoring the status of rural reimbursement enhancements.

Finally, HHSC plans to include in future reports initiatives and requirements from the Centers for Medicare and Medicaid Services that create opportunities or barriers for rural hospital services. With Medicare as a major payor in many rural hospitals, it is important to ensure that any Texas-led solutions consider federal rules and regulations.

Appendix A. Rural Hospital Closures Since 2014

Source - Becker's Hospital CFO Report

Care Regional Medical Center (Aransas Pass)

Chillicothe Hospital

East Texas Medical Center-Clarksville

East Texas Medical Center-Gilmer

East Texas Medical Center-Mount Vernon

East Texas Medical Center-Trinity

Good Shepherd Medical Center (Linden)

Gulf Coast Medical Center (Wharton)

Hamlin Memorial Hospital

Hunt Regional Community Hospital of Commerce

Lake Whitney Medical Center (Whitney)

Little River Healthcare Cameron Hospital

Little River Healthcare Rockdale Hospital

Nix Community General Hospital (Dilley)

Renaissance Hospital Terrell

Shelby Regional Medical Center (Center)

Stamford Memorial Hospital

Texas General-Van Zandt Regional Medical Center (Grand Saline)

Timberlands Hospital (Crockett)

Wise Regional Health System-Bridgeport)

Appendix B. Senate Bill 1621

Senate Bill 1621, SECTION 2

SUBCHAPTER G. RURAL HOSPITALS

Sec. 531.201. STRATEGIC PLAN; REPORT. (a) The commission shall develop and implement a strategic plan to ensure that the citizens of this state residing in rural areas have access to hospital services.

(b) The strategic plan must include:

(1) a proposal for using at least one of the following methods to ensure access to hospital services in the rural areas of this state:

(A) an enhanced cost reimbursement methodology for the payment of rural hospitals participating in the Medicaid managed care program in conjunction with a supplemental payment program for rural hospitals to cover costs incurred in providing services to recipients;

(B) a hospital rate enhancement program that applies only to rural hospitals;

(C) a reduction of punitive actions under the Medicaid program that require reimbursement for Medicaid payments made to the provider, if the provider is a rural hospital, a reduction of the frequency of payment reductions under the Medicaid program made to rural hospitals, and an enhancement of payments made under merit-based programs or similar programs for rural hospitals;

(D) a reduction of state regulatory-related costs related to the commission's review of rural hospitals; or

(E) in accordance with rules adopted by the Centers for Medicare and Medicaid Services, the establishment of a minimum fee schedule that applies to payments made by managed care organizations to rural hospitals; and

(2) target dates for achieving goals related to the proposal described by Subdivision (1).

(c) Not later than January 1, 2020, the commission shall submit the strategic plan developed under Subsection (b) to the Legislative Budget Board for review and comment. The commission may not begin implementation of the proposal contained in the strategic plan until the strategic plan is approved by the Legislative Budget Board.

(d) Not later than November 1 of each even-numbered year, the commission shall submit a report regarding the commission's development and implementation of the strategic plan described by Subsection (b) to:

(1) the legislature;

(2) the governor; and

(3) the Legislative Budget Board.

Sec. 531.202. ADVISORY COMMITTEE ON RURAL HOSPITALS. (a) The commission shall establish the Rural Hospital Advisory Committee, either as another advisory committee or as a subcommittee of the Hospital Payment Advisory Committee, to advise the commission on issues relating specifically to rural hospitals.

(b) The Rural Hospital Advisory Committee is composed of interested persons appointed by the executive commissioner. Section 2110.002 does not apply to the advisory committee.

(c) A member of the advisory committee serves without compensation.

Sec. 531.203. COLLABORATION WITH OFFICE OF RURAL AFFAIRS. The commission shall collaborate with the Office of Rural Affairs to ensure that this state is pursuing to the fullest extent possible federal grants, funding opportunities, and support programs available to rural hospitals as administered by the Health Resources and Services Administration and the Office of Minority Health in the United States Department of Health and Human Services.